97-84090-4

Lake, A.C.

The remedy for the high cost of living

[Memphis, Tenn.]

[1912]

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Lake, A C
Box 77 The remedy for the high cost of living.
[4] p. 15 cm. [Memphis, Tenn., 1912]

Supplement to Currency reform the paramount issue, signed May 15th, 1912.

Only Ed.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 5-16-97 INITIALS: PB

TRACKING # : 21851

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BIBLIOGRAPHIC IRREGULARITIES

MAIN ENTRY: Lake, A.C.

The remedy for the high cost of living

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TRACKING#: MSH21851

Supplement to Currency Reform the Paramount Issue

THE REMEDY FOR THE HIGH COST OF LIVING

With an expanding currency, the automobile classes are jubilant, being benefited at the expense of the street car masses, onto whose brows the crown of thorns is tightly pressed down by rising prices. It is not to the interest of any nation to have a higher per capita of unearned money than any other nation. There is no such thing as intrinsic value in money. Gold intrinsically is not worth so much as iron. Its free coinage into money is what makes gold so valuable. Let the gold diggers quit their harmful occupation of digging gold and go back to the farms and raise foodstuffs, which is something worth while. Redundant currency is the sole tap root cause of high prices. The high protective tariff and all other causes are only the natural outgrowths therefrom. It is absurd to think we can have a higher per capita of money and consequent higher prices than other nations and have no protective tariff. That high prices are in every way undesirable is clearly shown in my pamphlet, "Currency Reform the Paramount Issue." That my views as therein expressed have merit is evidenced by Irving Fisher, Professor of Political Economy of Yale University, New Haven, Conn., who is thought to be one of the three best posted men on this subject, having kindly complimented me by mentioning it on page 347 of his standard work, "The Purchasing Power of Money." The remedy for high prices is to stop watering our currency with national bank

bills and free coined gold money. Our mints ought to take as toll at least one-half of all the gold or gold and silver brought to them for coinage into money. This seigniorage ought to be used: First, in paying off the government bonds by means of which our national banks water our currency with their bank notes. Secondly, in paying off the $346,681,016 of outstanding legal tender fiat money. Thirdly, in creating a gold reserve emergency currency such as the Bank of France, the Bank of England and the Reichsbank of Germany have. In this way we might in time become again as in 1835 a nation without debt, and might besides have cash gold, the primary fiat money, in bank—a consummation greatly to be desired. I am met with the objection that other nations will continue to free coin gold. Let them do so if they have no better sense. They cannot thereby put us into any worse fix than we are already in, and they may ruin themselves. I believe were we to stop free coining gold all the rest of the world would voluntarily do likewise and charge the same toll as we. There would not have to be any international agreement. The wisdom of our action would be so self-evident they would fall all over themselves trying to see who could first get into line with us. If the free coinage of gold is stopped many gold mines will have to close down. If it is not stopped the same mines will have to shut down because the cost of mining will become so high that they cannot be profitably operated. Of course, the higher our per capita of money becomes the slower will be the percentage of increase, and the evil would in time automatically correct itself. But, nevertheless, would it not be good common sense to adopt my proposition and pay off all our national debt and have no more paper money except gold certificates based on the actual gold in the United States Treasury? I do not think it would be any very great loss were some foreign nation to swoop down with its fleet and capture our entire stock of gold. But as very few people will agree with me in this, in case of war the holders of the gold

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certificates of deposit could be notified to send them in and withdraw the gold. If any nation were to capture this gold and put it into circulation, in addition to what they already have, I think they would find out the truth of the Good Book when it said: "The robbery of the wicked shall destroy them." If England should capture it and use it in paying off some of her national debt, there might be such a plethora of money there that her prices would rise so high and ours would fall so low that she might lose to us her world-wide export trade and merchant marine business. One of our grievances causing the revolutionary war was that England levied taxes on us and took the cash specie money to England. I myself think this was a blessing in disguise, for it made money so scarce and valuable here that it kept down our prices, so that our merchant marine flourished for a long period. We had the second largest in the world and carried 90 per cent. of our exports and imports in our own bottoms. Whereas now we carry only about 10 per cent. We needed no ship subsidy then. France, with a larger per capita ($38) of money than any other nation, has only a comparatively small mercantile marine. Asset currency! Good Lord deliver us! It is a financial heresy. The Aldrich-Vreeland $500,000,000 emergency money is asset currency. It is an enlargement of the national bank currency idea, which is asset currency of the better sort just so long as the government remains in good shape, and no longer. Of course, Aldrich, wanting a high protective tariff, wants more money, causing high prices, making a protective tariff absolutely necessary. The Natianal Monetary Commission, of which he was chairman, recommends an ample watering with asset paper currency. What they really propose is banking reform, but they misleadingly call it currency reform, whereas it is currency aggravation. Clearing house certificates during panics are preferable. They are based on cash tied up in bank vaults and don't cost the banks any interest, and do not expand the basic money; every dollar of which is

estimated to create $4 of credit money, i. e., checks, etc. I think there is no substance so suitable as gold for the coinage of international money and that it will be always so used, and that perhaps in 50 years the gold standard will be used by the entire world, and that there will be gold coins issued by every nation stamped, "International Standard," of the same weight and fineness as our present American dollars, and that these gold coins will be legal tender throughout the world.

I some years since wrote an officer of an insurance company in which I have a life policy in substance as follows: "About a year ago I wrote you about the depreciation in the purchasing power of our money because of the inflation of our currency. You said you could not see it as I did. I wrote you to watch the thing, which if you have done, you now see it as I do. One-third of the purchasing power of that big wad of 'good gilt edge' bonds you have belonging to the poor widows and orphans has been lost during the last 13 years by reason of the inflation of our currency. Why don't you insurance men get together and stop the further debasement by expansion of our currency? Are you a lot of blind bats, or don't you care a copper just so long as you can wear fine linen and fare sumptuously every day?" Perhaps they think agitating this question would injure the life insurance business. What has made prices go up faster in the United States than elsewhere in the world is that we have watered our currency, not only with gold, but also copiously with national bank paper money. If you want the data on which I base my conclusions send me 10 cents for my pamphlet, 28 pages, this size.

A. C. LAKE,
28 North Front St.,
Memphis, Tenn.

May 15th, 1912.

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